

Jan 25/69
J. L. S.



MAPLE LEAF GARDENS, LIMITED

THIRTY-SEVENTH ANNUAL REPORT

For the year ended August 31, 1968

Directors' Report to the shareholders of
MAPLE LEAF GARDENS, LIMITED:

Your Board of Directors takes pleasure in submitting the consolidated financial statements of the company for the fiscal year ended August 31, 1968. Incorporated in these statements are those of the wholly-owned subsidiary, Tulsa Hockey Club, Inc. You will note that the attached statements are prepared in comparative form and include corresponding figures at August 31, 1967. These latter figures have been adjusted as referred to in Note 1 to the statements.

The net profit for the fiscal year ended August 31, 1968 was \$758,919 or \$1.03 per share compared with \$900,706 or \$1.22 per share for the preceding year.

Gross revenue declined in the 1968 year compared with 1967. Some of this reduction arose from professional hockey as the Maple Leaf Hockey Team failed to win a place in the Stanley Cup playoffs. The attendance at regular league games was maintained. Also, the 1967 gross revenue included proceeds from activities of Victoria Maple Leaf Hockey Club which was sold at the end of the 1966-1967 season. In general, gross revenue from miscellaneous attractions was well maintained in 1968 and in some cases exceeded that of 1967. The slight falling off in gross revenue coupled with increasing expenses resulted in the lower net income reported for the 1968 year.

As a matter of policy, your Directors decided that the marketable securities, which had been held for many years, should be sold. The gain on this sale, an amount of \$836,200, has been credited directly to the retained earnings account. During the year the insurance carried on the lives of certain former officers and employees was cancelled and the company has received the cash surrender value of the policies.

Additional funds were spent during the year to renovate the facilities of the Gardens. Our objective is to keep the arena in first class condition at all times. A dispute has arisen concerning some of the charges for work carried out as part of our renovation program. This matter is referred to in Note 1 to the financial statements.

There are unresolved matters between the company and the Department of National Revenue and these are referred to in Note 2 to the financial statements. Unfortunately, there is no further information available at this time and it may be some time before the matters are resolved.

It is expected that the matter in dispute between the company and the purchasers of the Victoria Maple Leaf Hockey Club, referred to in Note 3 to the financial statements, will be settled by an adjustment to the agreement of sale and without a cash settlement by the company.

During the year ended August 31, 1968 the company paid regular dividends aggregating 70¢ per share and special dividends of \$3.30 per share.

We think the expansion of the National Hockey League was in the best interests of professional hockey and we have been satisfied with the operations of the expanded league. It is probable that in the future there will be some change in the location of the franchises. We would hope that arrangements can be made for Vancouver to be the home of a National Hockey League team.

The Directors wish to take this opportunity to thank the officers and employees of the company for their services during the past year.

On behalf of the Directors:

C. STAFFORD SMYTHE,

President.

Toronto, January 22, 1969.

MAPLE LEAF GARDENS

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1967)

ASSETS

	AUGUST 31	
	1968	1967
CURRENT ASSETS:		
Cash, including interest bearing deposits	\$1,189,252	\$2,136,496
Investment in short-term securities	100,000	100,000
Investment in marketable securities, at cost (quoted market value 1967 — \$1,010,700)	—	255,802
Accounts receivable (Note 1)	37,469	370,845
Mortgage receivable	—	7,000
Cash surrender value of life insurance policies	—	81,895
Prepaid expenses	28,397	48,971
	<u>1,355,118</u>	<u>3,001,009</u>
OTHER ASSETS:		
Deposit	5,363	—
Special refundable corporation tax	41,527	42,429
Investment in secured notes of a company in receivership, less provision for estimated loss	90,000	90,000
	<u>136,890</u>	<u>132,429</u>
PROPERTY, at cost (Note 1):		
Buildings and equipment	4,102,835	3,666,508
LESS — Accumulated depreciation	<u>2,068,736</u>	<u>1,903,256</u>
	2,034,099	1,763,252
Land	<u>1,211,360</u>	<u>1,211,360</u>
	3,245,459	2,974,612
FRANCHISES AND CONTRACTS	<u>100,001</u>	<u>100,001</u>
	<u>\$4,837,468</u>	<u>\$6,208,051</u>

(See accompanying notes)

AUDITOR

To the Shareholders of
Maple Leaf Gardens, Limited:

We have examined the consolidated balance sheet of Maple Leaf Gardens, Limited, and its subsidiaries, and the consolidated statements of income and retained earnings and source and application of funds for the years ended August 31, 1968 and 1967, and the procedures and such tests of accounting records and other supporting evidence as we considered necessary.

In our opinion, subject to the final determination of the matters referred to in the notes to the consolidated financial statements, the consolidated financial statements present fairly the financial position of the companies as at August 31, 1968 and 1967, and the results of their operations for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, January 10, 1969.

MAPLE LEAF GARDENS, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED AUGUST 31, 1968

(with comparative figures for the year ended August 31, 1967)

	YEAR ENDED AUGUST 31	
	<u>1968</u>	<u>1967</u>
<i>Source of funds:</i>		
Net income for the year	\$ 758,919	\$ 900,706
Depreciation of fixed assets, a non-cash charge in arriving at net income	<u>165,480</u>	<u>171,150</u>
<i>Funds derived from operations</i>	924,399	1,071,856
Proceeds from sale of National Hockey League franchise rights (Note 2)	—	2,160,000
Gain on sale of the Victoria Maple Leaf Hockey Club (Note 3)	—	96,572
Gain on sale of marketable securities	836,200	—
Reclassification to current assets of mortgage receivable due within one year	—	7,000
Repayment of deposits	—	21,095
Assumption of mortgage payable	<u>—</u>	<u>37,924</u>
	1,760,599	3,394,447
<i>Application of funds:</i>		
Dividends paid	2,942,320	2,280,298
Purchase of fixed assets, net (Note 1)	436,327	668,342
Special refundable corporation taxes paid (refunded)	(902)	28,153
Mortgage principal paid	7,281	—
Deposit paid	<u>5,363</u>	<u>—</u>
	<u>3,390,389</u>	<u>2,976,793</u>
<i>Net increase (decrease) in working capital</i>	(1,629,790)	417,654
Working capital at beginning of year	<u>718,844</u>	<u>301,190</u>
<i>Working capital (deficit) at end of year</i>	<u>\$ (910,946)</u>	<u>\$ 718,844</u>

(See accompanying notes to consolidated financial statements)

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HEET — AUGUST 31, 1968

ures as at August 31, 1967)

LIABILITIES

	AUGUST 31	
	1968	1967
CURRENT LIABILITIES:		
Bank indebtedness of subsidiary company	\$ 37,541	\$ —
Accounts payable and accrued liabilities	296,120	205,051
Income taxes payable	286,637	502,509
	<u>620,298</u>	<u>707,560</u>
Advance ticket sales and subscriptions	1,645,766	1,574,605
	<u>2,266,064</u>	<u>2,282,165</u>
MORTGAGE PAYABLE:		
7½ % due in monthly instalments to February 5, 1976	30,643	37,924
CONTINGENT LIABILITY (Note 3)		
SHAREHOLDERS' EQUITY:		
Capital stock —		
Authorized — 1,000,000 shares without nominal or par value		
Issued — 735,580 shares	36,779	36,779
Retained earnings	2,503,982	3,851,183
	<u>2,540,761</u>	<u>3,887,962</u>
APPROVED ON BEHALF OF THE BOARD:		
C. STAFFORD SMYTHE, Director		
HAROLD E. BALLARD, Director		
	<u>\$4,837,468</u>	<u>\$6,208,051</u>

es to consolidated financial statements)

' REPORT

Limited and its subsidiary company as at August 31, 1968 and the consolidated the year then ended. Our examination included a general review of the accounting we considered necessary in the circumstances.

in Notes 1 and 2 to the consolidated financial statements, these financial statements results of their operations and source and application of their funds for the year a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

MAPLE LEAF GARDENS, LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED AUGUST 31, 1968

(with comparative figures for the year ended August 31, 1967)

	YEAR ENDED AUGUST 31	
	1968	1967
INCOME		
Gross revenue from operations including companies' share of receipts from attractions promoted by others	\$5,977,168	\$6,594,704
Revenue from operations after deducting operating expenses but before providing for executive remuneration, depreciation and income taxes	\$1,984,896	\$2,211,347
Income from investments and bank deposits	82,693	78,259
	<u>2,067,589</u>	<u>2,289,606</u>
<i>Deduct:</i>		
Executive remuneration	240,190	169,750
Provision for depreciation	165,480	171,150
Provision for income taxes	903,000	1,048,000
	<u>1,308,670</u>	<u>1,388,900</u>
<i>Net income for the year</i>	<u>\$ 758,919</u>	<u>\$ 900,706</u>

RETAINED EARNINGS		
Balance at beginning of year	\$3,851,183	\$2,974,203
<i>Add:</i>		
Net income for the year	758,919	900,706
Proceeds from sale of National Hockey League franchise rights (Note 2)	—	2,160,000
Gain on sale of the Victoria Maple Leaf Hockey Club (Note 3)	—	96,572
Gain on sale of marketable securities	836,200	—
	<u>5,446,302</u>	<u>6,131,481</u>
<i>Deduct — Dividends paid:</i>		
Regular	514,906	441,348
Special	2,427,414	1,838,950
	<u>2,942,320</u>	<u>2,280,298</u>
<i>Balance at end of year</i>	<u>\$2,503,982</u>	<u>\$3,851,183</u>

(See accompanying notes to consolidated financial statements)

MAPLE LEAF GARDENS, LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 1968

1. Incorrect invoices submitted by a construction company resulted in the inclusion in property additions for the fiscal years ended August 31, 1966 and 1967 of amounts aggregating \$212,800; this amount was removed from the property accounts in the year ended August 31, 1968. For comparative purposes, the consolidated balance sheet as at August 31, 1967 and the consolidated statement of source and application of funds for the year then ended have been restated to reflect the adjustments made in the invoices. Since the effect of these transactions on the net profits for the years ended August 31, 1966 and 1967 was immaterial, the consolidated statements of income and retained earnings have not been restated.

The company is not satisfied with the revised amounts for construction costs referred to in the preceding paragraph and is seeking further clarification from the construction company. While there may be some additional changes in the amounts capitalized, these are not expected to have any material effect on the company's financial position.

2. The Department of National Revenue is making a special review of the company's income tax returns for the past several years and in this connection has seized certain of the company's records. The only known adjustment at this time is in respect of the claim for capital cost allowances on charges to property accounts made in error in 1966 and 1967 (Note 1).

The Department has indicated that it considers the amount of \$2,160,000 received from the sale of the National Hockey League franchise rights during the year ended August 31, 1967 to be taxable.

The company disputes this contention and considers the amount to be a capital gain. This tax matter is still unsettled.

3. During the year ended August 31, 1968, the purchaser of the assets of the Victoria Maple Leaf Hockey Club issued a writ in the United States District Court for the District of Arizona claiming general damages of \$600,000 on the grounds that provisions of the agreement of sale had not been complied with in respect of the services of certain hockey players. Subsequent negotiations have taken place which it is believed will lead to a stay of the proceedings.